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This Week in Canadian Agriculture, Issue 26 2004

Approved by:

Hugh J. Maginnis
U.S. Embassy

Prepared by:

Christina Patterson and George Myles

Report Highlights:

*WTO Framework Pleases Some, Disappoints Others * U.S. Court of International Trade Dismisses Appeal Seeking Tariffs on Canadian Durum Wheat Imports * Packer Profits Up Following BSE * Canadian Wheat Board Forecasts Largest Wheat and Barley Crop in Five Years * Ontario Corn Production at the Mercy of Mother Nature * U.S. Department of Commerce Announces Second Countervailing Duty Remand on Canadian Softwood Lumber * Manitoba Crop Update * Saskatchewan Crop Update

Includes PSD Changes: No
Includes Trade Matrix: No
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This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

WTO FRAMEWORK PLEASES SOME, DISAPPOINTS OTHERS: As word of the agreed upon WTO negotiating framework filtered through Canada's farm groups, reactions were mixed. Canadian dairy, poultry and egg producers (SM-5), those who operate under the supply management system, remained cautious about the framework on agriculture. The SM-5 believed the agreement was an improvement over previous version, but still maintained serious concerns regarding all three aspects of the agriculture negotiations. The group was pleased with the elimination of the notion of mandatory cuts in over-quota tariffs. The Canadian Wheat Board (CWB) was extremely disappointed in the framework agreement and declared that it was a bad deal for Canadian agriculture. The agreed to framework would require state trading enterprises to stop trade-distorting activities, including elimination of government financing, export subsidies provided to them or by them, and underwriting of losses. As well, the agreement requires the negotiation of monopolies and a tightening up of the language around transparency for monopolies. The CWB feels that the new deal is requiring Canada to give up a lot for very little in return and vigorously denounces any perception of unfair subsidies associated with the CWB. The CWB has recently announced that it would be seeking financial compensation from the Canadian government if government guarantees of initial payments and borrowings are eliminated as part of the next World Trade Organization (WTO) deal. Groups like Canadian Agri-Food Trade Alliance (CAFTA), the Grain Growers of Canada (GGC) and Agricore United were pleased with the framework agreement and felt it was a positive step forward in the negotiating process. The groups did have various concerns with the text, but overall felt framework provided a good stepping-stone for further negotiations and the completion of the Doha Round by next year.

U.S. COURT OF INTERNATIONAL TRADE DISMISSES APPEAL SEEKING TARIFFS ON CANADIAN DURUM WHEAT IMPORTS: In the ongoing saga of the North Dakota Wheat Commission (NDWC) versus the Canadian Wheat Board (CWB), a judge for the U.S. Court of International Trade dismissed the appeal of the ITC ruling that Canadian durum imports do not hurt U.S. growers, which was brought by the NDWC seeking penalty tariffs on Canadian durum wheat imports. The judge ruled that the appeal was filed three days earlier than allowed under a law that specifies the filing requirements and granted a motion by the ITC to dismiss the case. In October of 2003, the ITC voted unanimously to remove the anti-dumping and countervailing duties of 13.55% on Canadian durum, citing there was not enough evidence that Canadian durum exports to the U.S. were hurting domestic prices. The CWB was pleased with the ruling.

PACKER PROFITS UP FOLLOWING BSE: In a recent report on BSE compensation programs for Alberta cattle producers, the Alberta Auditor General concluded that while Alberta meat packers increased profits in the wake of BSE, they did not benefit unfairly from the C\$402-million federal-provincial BSE program payout targeted at beef producers. The report responded to a request from the Hon. Shirley McClellan, Alberta Deputy Premier and Minister of Agriculture, Food and Rural Development to determine whether the intended goals of the BSE assistance programs were met. The report also concluded that emergency BSE funding went only to the owners of cattle eligible for compensation under the program, but that because of design flaws, the program put further downward pressure on cattle prices as producers rushed to sell their cattle for slaughter to take advantage of the program. Earlier in the year, the federal House of Commons Agriculture Committee launched an investigation into packing industry profitability when retail meat prices didn't fall in line with cattle market prices, but it failed to get Parliamentary support to have the packers disclose their financial records.

CANADIAN WHEAT BOARD FORECASTS LARGEST WHEAT AND BARLEY CROP IN FIVE YEARS: The Canadian Wheat Board (CWB) is forecasting western Canadian crops of barley, wheat and durum in 2004-2005 to reach almost 38 million metric tons, the most in five years. In June, the CWB forecast a wheat, durum and barley crop of 34 million metric tons. Despite the positive forecast, weather is still playing a factor in the slow crop development. The cool temperatures that seem to be a carry over

from the cool, wet spring continued to slow development across the eastern regions of the Canadian prairies, especially in Manitoba. Weather conditions farther west are more favorable. Southern Alberta is looking at a record barley and pea crops. Despite the more favorable weather conditions in the western half of the prairies, crop development is still behind. The cool, wet spring helped major regions of Alberta and Saskatchewan move out the drought conditions they had been experiencing for the last couple of years.

ONTARIO CORN PRODUCTION AT THE MERCY OF MOTHER NATURE: The provincial department of Agriculture has reported that the management window for impacting the corn crop has come and gone and producers will have to rely on Mother Nature to ensure the crop matures. Corn development is variable across the province, with some areas being impacted by the cool, wet spring that delayed planting. Other areas, like the eastern region of the province, allowed for timely planting and the subsequent weather has resulted in a crop on target for tasseling. Under normal planting conditions and weather, corn in the province should tassel around July 18th. Unfortunately much of the crop has yet to tassel, so above average heat will be required for the corn crop to reach maturity.

U.S. DEPARTMENT OF COMMERCE ANNOUNCES SECOND COUNTERVAILING DUTY REMAND ON CANADIAN SOFTWOOD LUMBER: On July 30, 2004, the U.S. Department of Commerce (DOC) issued its second countervailing duty (CVD) remand determination, which calculated a new CVD cash deposit rate of 7.82% from 18.8%. The NAFTA panel, which reviewed the U.S.'s initial remand determination in January of 2004, is expected to respond to this determination in late October 2004. The new remand does not affect the cash deposits levied at the border on Canadian softwood exports until the NAFTA panel process is fully exhausted. Canadian softwood lumber going into the U.S. will continue to be subjected to the combined CVD and anti-dumping deposit rate of 27.2%.

MANITOBA CROP UPDATE: The provincial department of Agriculture reports that as of August 3, the crops are generally in good condition, with development varying in the different regions of the province. Cereal crops vary from the heading and kernel-filling stages to the shot blade stage. Fusarium and rust is showing up in some winter wheat and early spring-seeded fields in some areas. Canola fields range from mid-flower to beginning to pod. Sclerotinia is showing up in the early canola fields in two regions of the province. In the Eastern region where the rain was the heaviest this spring, the soybean, edible bean and sunflower crops are behind in development and the plants are short. Grasshoppers have shown up in increasing numbers in 3 of the regions, with spraying occurring to decrease their numbers and impact on the crops. The corn is beginning to tassel and the seeded acres are down sharply from a year ago as a result of the cool, wet spring. The corn crop is at least one to two weeks behind schedule and the concern is that the crop may not get enough heat units to develop properly.

SASKATCHEWAN CROP UPDATE: According to the provincial department of Agriculture, pre-harvest crop production estimates for 2004 will be 14% above the 10-year average and 25% larger than in 2003. The estimated production level for 2004 is 26.9 million metric tons of grains, oilseeds, and specialty crops. Despite this increased forecast in production, crop development is still behind average, which could reduce yield potential. The northeast region is expected to have the highest yields. Grasshoppers are becoming a problem in all regions. Winter wheat harvesting is beginning in the south and west. Oats, barley, fall rye, triticale, canola and peas are also beginning to be harvested in the southern and west central areas.

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